

Introductory Remarks Before the Initial Meeting of the Department of the Treasury's Advisory Committee on the Auditing Profession, Treasury Press Release No. HP-610 (Oct. 15, 2007)

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I. Transmittal Letter

Advisory Committee on the Auditing Profession

[July 2008].

The Honorable Henry M. Paulson, Jr.,
Secretary, U.S. Department of the Treasury,
1500 Pennsylvania Avenue, NW.,
Washington, DC 20220.

Dear Secretary Paulson: On behalf of the Department's Advisory Committee on the Auditing Profession, we are pleased to submit our Final Report.

[Contents of letter to be included in Final Report.]

Respectfully Submitted on behalf of the Committee,

Arthur Levitt, Jr.,

Committee Co-Chair.

Donald T. Nicolaisen,

Committee Co-Chair.

Enclosure.

cc: Undersecretary for Domestic Finance
Robert K. Steel.

II. Executive Summary

[Contents of Executive Summary to be included in subsequent drafts of this Report.]

III. Committee History

On November 20, 2006, the Secretary of the Treasury, Henry M. Paulson, Jr., delivered a speech on the competitiveness of the U.S. capital markets, highlighting the need for a sustainable auditing profession.¹ In March 2007, Secretary Paulson hosted a conference at Georgetown University with investors, current and former policy makers, and market participants to discuss issues impacting the competitiveness of the U.S. capital markets, including the sustainability of the auditing profession.²

On May 17, 2007, Secretary Paulson announced the Department of the Treasury's (the Department) intent to establish the Advisory Committee on the Auditing Profession (the Committee) to consider and develop recommendations relating to the sustainability of the auditing profession.³ At

the same time, Secretary Paulson announced that he had asked Arthur Levitt, Jr. and Donald T. Nicolaisen to serve as Co-Chairs of the Committee. The Department published the official notice of establishment and requested nominations for membership on the Committee in the **Federal Register** on June 18, 2007.⁴ Secretary Paulson announced the Committee's membership on October 2, 2007, with members drawn from a wide range of professions, backgrounds and experiences.⁵ The Department filed the Committee's Charter with the Senate Committee on Banking, Housing, and Urban Affairs, the Senate Committee on Finance, the House Committee on Financial Services and the House Committee on Ways and Means on July 3, 2007.⁶

Committee Activities

The Committee held its initial meeting on October 15, 2007 in Washington, DC.⁷ Under Secretary for Domestic Finance Robert K. Steel welcomed the Committee members and provided introductory remarks.⁸ Also on October 15, 2007, the Committee adopted its by-laws⁹ and considered a Working Discussion Outline to be published for public comment.¹⁰ The Working Discussion Outline identified in general terms issues for the Committee's consideration. A Working Bibliography, updated intermittently throughout the course of the Committee's deliberations, provided the members with articles, reports, studies, and other written materials relating to the auditing profession.¹¹ All full Committee meetings

Plan (May 17, 2007) (included as Appendix E); Press Release, U.S. Dep't of Treas., Paulson: Financial Reporting Vital to U.S. Market Integrity, Strong Economy (May 17, 2008) (included as Appendix F).

⁴ Notice of Intent to Establish; Request for Nominations, 72 FR 33560 (U.S. Dep't of Treas. June 18, 2007) (included as Appendix A).

⁵ Press Release, U.S. Dep't of Treas., Paulson Announces Auditing Committee Members to Make Recommendations for a More Sustainable, Transparent Industry (Oct. 2, 2007) (included as Appendix G). This press release describes the diverse backgrounds of the Committee members. For a list of Members, Observers, and Staff, see Appendix K.

⁶ See Committee Charter (included as Appendix B).

⁷ The Record of Proceedings of this and subsequent meetings of the Committee are available on the Department's Web site at <http://www.treas.gov/offices/domestic-finance/acap/press.shtml>. See Record of Proceedings, Meeting of the Committee (Oct. 15, 2007, Dec. 3, 2007, Feb. 4, 2008, Mar. 13, 2008, Apr. 1, 2008, and [] [hereinafter Record of Proceedings (with appropriate date)] (on file in the Department's Library, Room 1428), available at <http://www.treas.gov/offices/domestic-finance/acap/press.shtml>.

⁸ Under Secretary for Domestic Finance Robert K. Steel, Welcome and Introductory Remarks Before the Initial Meeting of the Treasury Department's Advisory Committee on the Auditing Profession (Oct. 15, 2007), in Press Release No. HP-610, U.S. Dep't of Treas. (Oct. 15, 2007) (included as Appendix H).

⁹ The Committee By-Laws are included as Appendix I.

¹⁰ The Working Discussion Outline is included as Appendix L.

¹¹ The Working Bibliography is included as Appendix M. The Working Bibliography was

were open to the public and conducted in accordance with the requirements of the Federal Advisory Committee Act.¹² The meetings of the full Committee were also Web or audio cast over the Internet.

The Committee held its second meeting on December 3, 2007 in Washington, DC. The agenda for this meeting consisted of hearing oral statements from witnesses and considering written submissions that those witnesses had filed with the Committee. The oral statements and written submissions focused on the issues impacting the sustainability of the auditing profession, including issues mentioned in the Working Discussion Outline. Nineteen witnesses testified at this meeting.¹³ The Committee held a subsequent meeting on February 4, 2008 in Los Angeles, California at the University of Southern California. The agenda for this meeting consisted of hearing oral statements from witnesses and considering written submissions that those witnesses had filed with the Committee. The oral statements and written submissions focused on the issues impacting the sustainability of the auditing profession, including issues mentioned in the Working Discussion Outline. Seventeen witnesses testified at this meeting.¹⁴ The Committee held additional meetings on March 13, 2008, April 1, 2008, and []. All were face-to-face meetings held at the Department in Washington, DC, except for February 4, 2008, which was held in Los Angeles, California, and the meetings on April 1, 2008, and [], which were telephonic meetings.

The Committee, through the Department, published [] releases in the **Federal Register** formally seeking public comment on issues under consideration. On October 31, 2007, the Committee published a release seeking comment on the Working Discussion Outline,¹⁵ in response to which we received seventeen written submissions. In addition, the Department announced each meeting of the Committee in the **Federal Register**, and in each announcement notice included an invitation to submit written statements to be considered in connection with the meeting.¹⁶ In response to these meeting notices, the Committee received [] written submissions. In total, the Committee received [] written submissions in response to **Federal Register** releases.¹⁷ All of the submissions made to the

subsequently updated in December 2007 and February 2008.

¹² 5 U.S.C. App. 2 § 1.

¹³ Appendix J contains a list of witnesses who testified before the Committee.

¹⁴ Appendix J contains a list of witnesses who testified before the Committee.

¹⁵ Request for Comments, 72 FR 61709 (U.S. Dep't of Treas. Oct. 31, 2007).

¹⁶ Notice of Meeting, 72 FR 55272 (U.S. Dep't of Treas. Sept. 28, 2007); Notice of Meeting, 72 FR 64283 (U.S. Dep't of Treas. Nov. 15, 2007); Notice of Meeting, 73 FR 2981 (U.S. Dep't of Treas. Jan. 16, 2008); Notice of Meeting, 73 FR 10511 (U.S. Dep't of Treas. Feb. 27, 2008); Notice of Meeting, 73 FR 13070 (U.S. Dep't of Treas. Mar. 11, 2008); Notice of Meeting, 73 FR 21016 (U.S. Dep't of Treas. Apr. 17, 2008).

¹⁷ All of the written submissions made to the Committee are available in the Department's Library, Room 1428 and on the Department's

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¹ Treasury Secretary Henry M. Paulson, Jr., Remarks on the Competitiveness of U.S. Capital Markets at the Economic Club of New York (Nov. 20, 2006), in Press Release No. HP-174, U.S. Dep't of Treas. (Nov. 20, 2006) (included as Appendix C).

² Treasury Secretary Henry M. Paulson, Jr., Opening Remarks at Treasury's Capital Markets Competitiveness Conference at Georgetown University (Mar. 13, 2007), in Press Release No. HP-306, U.S. Dep't of Treas. (Mar. 13, 2007) (included as Appendix D).

³ Press Release, U.S. Dep't of Treas., Paulson Announces First Stage of Capital Markets Action